

The departmental budget review reconvened on April 9, 2010 at 11:55 a.m., and proceeded as follows

(Mr. Chang was noted excused.)

ECONOMIC DEVELOPMENT:

DARYL KANESHIRO: We will continue with the budget review process. We have Mr. Costa here from Economic Development, Department of Economic Development. And you have the floor.

GEORGE COSTA: Mahalo. Aloha Chair Asing and Council Members, George Costa, Director of Economic Development for the record. I submitted a summary that you can follow along as I do my presentation. For the Office of Economic Development we have a small department and when we started the budget process our goal along with the Mayor's goal was to start with a seven percent reduction and the final budget that we submitted has been reduced by thirty seven percent from this year's fiscal year budget or a savings of six hundred seventy eight thousand, two hundred eighty five dollars, most of the being the five hundred thousand visitors stimulus program. If you take that out we actually have a reduced budget of thirteen point four percent or a hundred and seventy eight thousand dollars. I also provided a summary which takes our budget and breaks it down to salaries and benefits and then the operating expenses and most of that being grants as you can see in the 2011 section on the left hand side. Forty-six point two percent of our budget is in grants that we had administered. I just noticed that on the set of columns to the right of that it's actually 2010 and I noticed the percentage column that should also be 2010. As far as our staffing besides myself the department has one Administrative Assistant, five Specialist and three of the specialists are funded by the County General fund and two Specialist are funded through grants either by the Department of Labor and Industrial Relations or DBEDT and the County Funds about thirty percent of their salaries and benefits. As far as any major changes to our budget in the Salary Department, those are unchanged except for the nine point three percent reduction for our furlough contingency at that equates to about Thirty five thousand dollars. For operating expenses overall expenses were reduced to about fifty one percent and the majority of the expenses are in the Tourism, Agriculture and Film Industry. As I mentioned grants comprise a little over forty six percent of our budgets compared to sixty three percent of our budget this year.

In Tourism as I mentioned we do not have the visitor's stimulus program like we did this year as we feel that the Kaua'i hotel and condo timeshare's are holding their own. We went from double digit losses in January - June of 2009 when compared to 2008 and we ended the year with actually a slight increase. Recent reports show a slight decrease in our hotel occupancy but then again if it weren't for the visitors stimulus program we would probably be in a lot worst shape that we are today. As a side note Sue Kanoho and I are going to be sending a request to the Council to present our findings and results from the first phase and we actually waited until we got some of those results back and shared it with our Resort Manager's to see how the program affected them and what we can do to make improvements to Phase 2 and we will be providing you with more details when we come back to Council at that time. Getting back to the Tourism section of our budget, we will continue to support the Kaua'i Visitor's Bureau Consumer promotion grant and that has been reduced from presently a Hundred and forty five thousand dollars to seventy five thousand which helps promote local events. In the area of promotional materials the Office of Economic Development provides Kaua'i, the County of Kaua'i and Kaua'i made logo items and gift bags for County staff, businesses and Residents that travel off Island or to the Mainland to attend business functions and they help to promote our Island and that where a bulk of our promotion material expense goes too.

Another area is Special Events grants and we are receiving a lot less support from the HTA for local events and so this special events grants category or line item helps to support the events

like, Kaua'i Challenge volleyball tournament, the Kaua'i Marathon and Senior Softball Tournaments to name a few. As far as airport greetings that's another area where HTA will not be supporting us this coming year and we feel the airport greetings is an important program and we're requesting that we fund that with a Fifty thousand dollar grant to continue and help support our local entertainers and provide music at the Līhu'e airport primarily in the evening from about 7 pm-9 pm where a lot of our Mainland flights are leaving. Having been at the airport several times over the last month I see that the lobby is full of our passengers and our visitors and it's there one last dose of Aloha and Kaua'i aloha spirit that they get before they board their flight home. I think it's a very worthwhile program. As far as the area of film under trade show, we have an expense of thirty four hundred dollars this has been reduced but basically those moneys will help Art Umezu our Film Commissioner when he goes to a once a year event in Santa Monica California where all of the Hollywood producers have an expo. We feel at that one time event that Art attends helps to bring us what we're going to be experiencing or are presently experiencing for major Hollywood productions on our Island. We feel that its money that is very well spent Where Art is physically in the presence of these Hollywood producers and promoting Kaua'i as a destination for their movies. We also have promotional expenses of about Fourteen thousand and these are on Island events when those movie productions are here on Island we have moneys to help support with either promoting or help scouting locations and promotions.

Another area that is part of the Office of Economic Development is obviously Agriculture. We have various agricultural grants amounting to a little over One hundred and sixteen thousand and that's down a little over Thirty five thousand from this year but those grants help to support various AG initiatives. This includes the County Farm Bureau, the Kaua'i Agricultural Initiative or (KAI), the papaya infestation facility and the East Kaua'i water uses cooperative which maintains our former sugar plantation irrigation systems as well as the Kaua'i Cattlemen Association slaughter house facilities and the tropical flower association to name a few. Also we have a category that we have as emerging industry support and that's about Seventeen thousand dollars and those are grant moneys that we help to support the emerging, six emerging industry clusters such as food and agriculture, sports and recreation, high technology, culture and arts and renewable energy. Some of the examples of grants although we don't provide a lot of money to these organizations it does help them with their events and one recently was (KB) or the Kaua'i Bee Keeper's Association, where we provided them a Five thousand dollar grant to help them with the monitoring of bee traps to help prevent the spread of the Varro mite. The KB Organization works together in conjunction with the Department of Agriculture because their inspectors and their staff has been reduced drastically so KB has volunteers and they use these moneys to help either for transportation or purchasing additional traps or Community outreach.

The other area in the main part of our budget is other Community support and as you know we have supported the food bank and they do a fantastic job. I know Judy Lenthal originally was advised that we weren't going to support her because she would be on her own but because of the good job that they do for our community we've put a Five thousand dollar amount in here to help support them once more. We also have the YWCA Family Violence Shelter and Sexual Abuse Treatment Center, those numbers have been reduced from this year presently, but we feel those are two important programs that we want to continue to support. The rest are other operating expenses that we have in our department. Advertising, we have money set aside for Kaua'i made which assist over seventy small Kaua'i businesses and there is advertising for film again to be in trade publications for the film industry and under airfare we have a small contingency of funds to help with Administrative Tourism and film travel cost either to the Mainland or within the State. Along with that a little over twenty five hundred dollars of per diem for those travels and about eleven hundred dollars for car rental again to be divided up between the Administration, myself, Tourism and film and then printing cost and about thirty eight hundred dollars of office supplies. That is basically it. Again we're a small department and I feel we do very good work and I just wanted to take this opportunity and just a few minutes to acknowledge the staff that we have. Tourism is



Nalani Brun and I think Councilmen Bynum had asked about the County Employees Council which Nalani is a part of and she's a big asset to that and she is this year's chair for the County Employees for the Visitors Industry Charity walk as well as is going to be assisting myself with the Kaua'i Marathon again aid stations. In film again Art Umezu is one busy person these days, you know we have four major film productions either on the Island or about to be on the Island to start movie production and there's even a hint of a fifth production that maybe showing up on our shores within this year.

Our Agricultural Specialist is Bill Spitz. He has many years of agricultural experience and he is assisting me with the various initiatives that we're undertaking right now specifically in the Kilauea Ag Park, the Papaya Infestations Facility, our Kaua'i Grown program and initiative we are also working on is support in the Cattlemen Industry, the beef industry.

Also we have Glenn Sato our Energy Specialist who works on Various projects and his going to be awarded an award by the Kapa'a Rotary who's I think this is their second or third year of green initiative award and we submitted our nomination from County Government on Glenn's project which he worked with the Robinson's Family, State, County Agencies and the private sector to install a volt able take system on the Island of Ni'ihau for the Ni'ihau schools so they have refrigeration now and they can have fresh produce and another part of that project is that he installed a water maker that produces fresh drinking water off of condensation then that water maker is operated from the PV system. That nominee when to the rotary and they have selected Glenn as government awardees and that should be coming up in a couple of weeks.

As far as workforce, Jan Miyamoto is our work force specialist and she works diligently with the Workforce Development Board and many leaders in our business community to help continue to provide job opportunity for our residents.

On a quick note to also recognize Brenda Martin who is our Administrative Assistant, Kent Hirokawa who is our Department Accountant and he's being funded by a tourism and workforce grant, as well as Christine Akono who is our part-time clerk and she's also funded with grant money from the Workforce and Tourism grants. And that's basically our summary for the Office of Economic Development. Thank you.

Mr. Kaneshiro: Thank you very much Mr. Costa. Mr. Kawakami, go ahead.

DEREK KAWAKAMI: Thank you Finance Chair, thank you Mr. Costa. For the cattlemen's association grant, does some of that funds go towards what is that Daryl that processing plant that you've been having discussion on or?

Mr. Costa: Right now this year's grant, does funds went to the slaughter facilities on the Island. Mac Medeiros, Mac Andrade I'm sorry and Willy Sanchez and I visited both those plants to see what kind of improvements they need to make just to be in compliance with Federal regulations. This year the moneys that we have in the budget that we are requesting are to assist us with putting an initiative together to look at a finding an area where we can build a slaughter, chill and processing facility. One of the ideas instead of a large facility there's this mobile facility that is being used on the Mainland that may suit our needs initially and so that's where does funds that we're proposing will be used for.

Mr. Kawakami: Well that's very promising to hear especially in light that from my experience one of the biggest challenges from the other end yeah from the Retailers side and from talking to some of the Hotel and Restaurants is how do we break down that beef. On the Restaurant and Hotel side they are paying premium labor prices and for them to break down the cattle into the cuts that they need is going to be expensive. From the Retailers stand point I mean

that Butchers job is almost like a lost art. I think within our Company there are very few people that know how to take a carcass and break it down into the cuts that consumers see on the shelves. I think one of the biggest challenges and we're addressing it and moving along is for ranchers. How do you store it? How do you break it down so that we can start utilizing that local beef? On another note along the same lines, what about a shipping, packing and processing plant on the Ag side for the farmers that is growing produce? Are we moving towards initiative in that light?

Mr. Costa: Besides the papaya disinfection facility you know that interview that's been to that building, that's a lot of space there and that has been one of the ideas but it's not any formal presentation that we're making right now but it is an idea that we're exploring and looking at. This infestation facility would be a good location to not only process the papaya but also other local fruit where we can ship off Island and export.

Mr. Kawakami: Yes because I know when we look at our line items it's very expensive to keep produce chilled especially for a small farmer. If we can eventually move towards a cooperative approach perhaps and maybe that's not the best option I think the farmers would know better than I but to eventually move towards something where we are providing some of the tools necessary to actually boost Ag especially when we talk about branding and marketing. Packaging is a huge hurdle for many of the farmers. I think when we look at some examples like Kīlauea Rain Gardens and Kunana Goat Cheese they are excellent examples of net marketing and packaging and branding and it opens up a lot of avenues of opportunity to boost the Ag sector. Thank you for your response and thank you for working with these industries because that is clearly the direction that we need to be headed if we want to stimulate the economy, Mahalo.

Mr. Kaneshiro:

Mr. Furfaro:

JAY FURFARO: Yes first of all I want to thank Mr. Kawakami for those comments. I do understand that the papaya infestation facility is still not operational?

Mr. Costa:

That's correct.

Mr. Furfaro:  
a target?

Do we have a goal? Do we have a deadline? Do we have

Mr. Costa: Well the goal was last month and I worked very closely with organization right now that is basically in charge of that facility. It's the Kaua'i Farmers Development Corp, which is a nonprofit organization comprised of Roy Oyama, Terry Sekioka and other members. We have actually completed two tests under the guidance of USDA and both tests have passed. What the USDA has required us actually we were scheduled to do a certification test this month actually next week to get properly certified and once that's done then the plant is open.

Mr. Furfaro:

That's good for me George thanks.

Mr. Costa:

Okay, okay.

Mr. Furfaro: If there's anything more we can do please let us know. I think as Mr. Kawakami mentioned if we get the papayas going then we can look at other opportunities for other products. I'm glad that you are close to it and then of course the comment on the cattleman's efforts in the slaughter house and so forth. I really think one of the other pieces as mentioned whether it's for Hotel institutional packaging or for the retail items is you know we need to expand that to get some crawl back packaging available so we can export some of this stuff. If I can shift real quick, do you see any changes in the grant program from the Department of Business and Economic Development? Are you feeling pretty confident that they won't be any more slices there?



Mr. Costa: I have had personal conversations with Ted Peck of the energy section and he assured me that his confident that the funding that he presently provides will be there.

Mr. Furfaro: Okay and that's good because our energy personnel comes from that grant and at least the majority of him. Thank you for acknowledging all of your people I think they are all doing a great job and you have a new home thanks to the Council funding, a new Workforce Development Office's and they've turned out great. We need to be thinking how we can service more people because parking is an issue there.

Mr. Costa: It is an issue.

Mr. Furfaro: It is an issue there and now that we're not walking up the hill we are struggling with that a little bit so I just want to point out that it's a great new facility and thanks for all the assistance there. On the visitor's side, your numbers indicate the One point four percent increase. I saw the statistical information for February State wide it's up Three point four percent and the ADR (average daily rate) is closer to three bucks in February. I assume you will share some information on those new statistics when you come back to talk to us about the marathon and some of the other particular parts, but that is good news. Food bank, other committee support, I got a letter from the Salvation Army as the Treasurer and is there a second food bank coming to Kaua'i?

Mr. Costa: I'm not aware of that.

Mr. Furfaro: You need to be aware of that because I think we gotta treat the food banks equally. This letter was telling us at the Salvation Army that the Hawai'i food bank is planning to come back to Kauai and I think they left about 95 or 96 after the hurricane so I just wanted to make that note. Didn't last year we make a contribution to the Red Cross? Was that in your community support effort?

Mr. Costa: No that might have come under the Mayor's Department.

Mr. Furfaro: Okay, it's under the Mayor, for some reason I thought and it's still there at the Mayor's office or it might not right Mr. Bynum?

TIM BYNUM: Yeah I think it's reduced.

Mr. Furfaro: But there is something there for the Red Cross?

Mr. Bynum: Yeah it's reduced by Five thousand.

Mr. Furfaro: Okay, and last question. HTA, are they out of the funding business? They're taking Fifty thousand from events. They're taking Fifty thousand out of the airport greeting.

Mr. Costa: Well I must say at least we have I have Nalani here in the audience and she can maybe add to that but we have at least Four hundred and twenty five thousand from HTA for events and festivals on the Island. It's down from previous years but it's still a lot of money that helped over thirty one events on the Island.

Mr. Furfaro: Well I think you know where I was heading there looking at these two bullet points as a Hundred thousand that's gone, but we can still count on funding these

grant funding for our cultural and historical events, dance festivals and so forth, there is still money for that?

Mr. Costa: Yes.

Mr. Furfaro: And I see Nalani shaking her head. Okay, thank you  
Mr. Chair.

Mr. Kaneshiro: Okay, any other questions for Mr. Costa? Mr. Bynum.

Mr. Bynum: Mr. Furfaro asked my question about you know so our signature events none of them are threatened to actually not have them right? So it's just a reduced kind of support?

Mr. Costa: The funds are reduced somewhat but we are still able to help a lot of these events.

Mr. Furfaro: Those are super win win you know they really stimulate the visitor and set us apart from other destinations and are consumed by many local people as well, including myself. I want to make sure I have the Mokiha Festival to go to.

Mr. Costa: If I could just add with these tough economic times besides those events do help stimulate our economy, but they also help stimulate our senses and help keep positive things happening on the Island like feel good events and that's what we need during these times too.

Mr. Bynum: Absolutely, so I would like to acknowledge Nalani's great support of that and I had a great opportunity to work in Economic Development and for a small staff they really do a lot of unique and exciting things so I appreciate your report very much. Regarding the snap program or the Kaua'i food bank program, is that I don't have an analysis of how the funding went year to year. Is that the same amount as last year?

Mr. Costa: No I think she got Fifteen thousand last year and we got... let me stand corrected I have...

Mr. Bynum: Was it Fifteen thousand last Year?

LANI KAWAHARA: Kaua'i Food Bank was Twenty thousand last year.

Mr. Costa: Twenty thousand.

Mr. Bynum: That's a pretty significant cut, I'm glad there is still something in there. I know initially we said eh this is a onetime thing and you gotta find a way to keep it going but that program has brought huge amounts of food resources with federal money and so we can talk to Judy about what are her plans to keep it alive. I think it's important.

Mr. Costa: I just want to say to the Mayor's credit because I think I do a pretty good job at holding the lines so when Judy started lobbying me earlier this year... I said Judy we told you last year that this was the last time so I'm sorry there's no money but the Mayor was compelled to put something in the budget.

Mr. Kaneshiro: We also said that at budgets before. Part of it was their choice and part of it was their request. Mr. Bynum.

Mr. Bynum: Yeah I just got last year's budget and I'm also concerned about the YWCA funding. It looks like it's a pretty significant cut in our support and I know there dealing with huge State budget cuts as well and there's just a certain level we can't let it fall below. We can continue to have dialog about that but you know...

Mr. Costa: And I agree, Rane Hamilton has done a wonderful job and she has been lobbying me to you know.

Mr. Bynum: I'm sure she has and you know the irony is the down economic times make it more difficult for us to fund but it puts a huge burden on their services. Domestic Violence and Sexual Assault increase intense in economic times as does the need for food stamps and food. That is the difficult thing as Social services are being nailed right and left by the State and you know it's fortunate for us. Maui is really struggling with that because they have a lot more County Funding of those types of programs and it is the States responsibility. I am proud of the County of Kaua'i when it stepped up when the State has kind of gone too far whether it's Civil Air Patrol or Koki frogs or in this case the shelter and the food bank. As we go through the budget process we will look at that really closely and I appreciate you trying to get something in there and trying to seek that balance. Also maybe in the future we can get more and not today but in the future more about the Kaua'i grown program. That has a pretty substantial funding and you know this is kind of a follow up Kaua'i made program and Kaua'i made I think has been a really good effort and I believe that initiative came from the Office of Economic Development to begin with right? You know those are again the kind of not a huge amount of money in terms of our County budget but it may be a really large impact. I just don't know that much about where Kaua'i grown is and that's kind of in process yeah, so maybe in the future we can have an update about that.

Mr. Costa: Okay.

Mr. Bynum: And that's all my questions for now. Thank you.

Mr. Kaneshiro: Yes Council member Kawahara?

Ms. Kawahara: I just have a quick question.

Mr. Kaneshiro: Go ahead you have the floor.

Ms. Kawahara: Okay, just if you could help me understand that says usually a match for ATA funding. All of these things under this list are grants that the County gives out and the ATA matches them?

Mr. Costa: What are you referring too?

Ms. Kawahara: Page 63 at the very top, usually a match for ATA funding or is that from... oh that's from up above from the Fifty thousand yeah, or that's part of something else? It's the second line from the bottom paragraph.

Mr. Costa: Oh the airport greetings.

Ms. Kawahara: Yeah okay so it's not ATA funding for this stuff underneath it?

Mr. Costa: No.



Ms. Kawahara: Because page 63 says usually a match for ATA funding and I thought all of these things...

Mr. Costa: Oh no.

Ms. Kawahara: Okay and I'm glad to see that the sunshine market is still getting a substantial amount of money so that's great. My questions was that when the other Council member was speaking about the meat processing facility, does the County have a commercial kitchen that helps with product enhancement?

Mr. Costa: The Neighborhood Centers have commercial kitchens.

Ms. Kawahara: Is that somehow funded at all by the County?

Mr. Costa: It comes under Parks and Recreation.

Ms. Kawahara: Parks and Recreation, okay.

Mr. Costa: But it's not being used per say as for commercial ventures and interestingly enough I am working with John Lekevich of the small business development center. Looking at business incubator, commercial kitchen type opportunities there is several on the Island it's just not used for commercial purpose to help small businesses and entrepreneurs right now.

Ms. Kawahara: Okay, that I think the only questions... Actually as all of these are listed under agriculture and you have different funds, there are grants that you give out or are there already ideas about what your projects are gonna be or do they submit beginning the fiscal year in July?

Mr. Costa: They submit their request or their programs, like a good example would be the East Kaua'i Water users Cooperative. Basically those moneys will go to maintain the irrigation systems that are out there, they continue that work. As you mentioned the sunshine market goes to help pay for the monitor the sunshine market money and that grant is administered by the Garden Island RCND.

Ms. Kawahara: Okay great. I just want to thank you because you are always really forthcoming and have all your information that's really easily digested so I appreciate that.

Mr. Costa: Thank you, I continually have to acknowledge the staff.

Ms. Kawahara: And I know you never sleep.

Mr. Kaneshiro: Okay we're going to take a break for lunch so, if we have any other questions?

Mr. Bynum: Can I have 30 seconds?

Mr. Kaneshiro: Question or comment? What I would like to do is if we have comments maybe we can save some of the comments for later but if you have a question for Mr. Costa I will go ahead and grant you the 30 seconds.

Mr. Bynum: I will do it off line, that's okay.



Mr. Kaneshiro: If not again you know as I stated we need to write some of the questions down that you have as people and through the discussions we have through committee members. Questions may pop up you know it may pop up as we have some discussions and such but just because of time I think it's good to get those questions out, right those questions down and we'll make sure that we get the questions over to the Department heads so we can get the answers back.

Mr. Furfaro: Chair, are we only doing a 45 minute lunch?

Mr. Kaneshiro: No we're going to take an hour lunch so if it's okay with the Committee at this time I would like to recess this budget review process and we'll be back at 1:35 and at that time we will be starting with the County Attorney's Office. Okay, thank you very much we are in recess.

The Office of Economic Development departmental budget review concluded at 12:33 p.m, and there being no objections, the meeting was in recess.